



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
POWELL COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE POWELL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Powell County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based on the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances increased by \$141,711 from the prior fiscal year, resulting in a cash surplus of \$305,114 as of June 30, 2000. Revenues increased by \$96,527 from the prior year and disbursements decreased by \$116,235.

Debt Obligations:

Bond principal agreements totaled \$196,015 as of June 30, 2000. Future principal and interest payments of \$313,959 are needed to meet these obligations.

Report Comments:

- The Powell County Fiscal Court Did Not Budget All Expenditures
- The Jail Fund Was In A Deficit At The End Of The Fiscal Year

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

<u>CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
POWELL COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS	6
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	10
NOTES TO FINANCIAL STATEMENTS	12
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE.....	19
SCHEDULE OF OPERATING REVENUE	23
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	27
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	31
COMMENTS AND RECOMMENDATIONS	35
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Bobby Drake, Powell County Judge/Executive
Members of the Powell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Powell County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Powell County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Powell County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000, of Powell County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Bobby Drake, Powell County Judge/Executive
Members of the Powell County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 24, 2002, on our consideration of Powell County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Powell County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance:

- The Powell County Fiscal Court Did Not Budget All Expenditures
- The Jail Fund Was In A Deficit At The End Of The Fiscal Year

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 24, 2002

POWELL COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Bobby Drake	County Judge/Executive
Harold Hurst	Magistrate
Timmy Tipton	Magistrate
Shirley Crabtree	Magistrate
Bobby Ginter	Magistrate
William Rice	Magistrate

Other Elected Officials:

Jeffrey Stiles	County Attorney
Ted Lacy	Jailer
David S. Frazier	County Clerk
Vickie Reed	Circuit Court Clerk
Darren Farmer	Sheriff
Betty Atkinson	Property Valuation Administrator
Carl Wells, Sr.	Coroner

Appointed Personnel:

Judith Denniston	County Treasurer
Connie Crabtree	Occupational Tax Collector
Rodney Barnes	Deputy Judge/Executive

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

POWELL COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$	41,409
------	----	--------

Road and Bridge Fund:

Cash		112,074
------	--	---------

Due From Jail Fund		151,204
--------------------	--	---------

Jail Fund:

Cash		15,663
------	--	--------

Local Government Economic Assistance Fund:

Cash		80,342
------	--	--------

Due From General Fund		20,000
-----------------------	--	--------

Due From Jail Fund		25,000
--------------------	--	--------

Payroll Revolving Account - Cash	18,513	\$ 464,205
----------------------------------	--------	------------

Special Revenue Fund Type

Forestry Fund:

Cash	\$	2,262
------	----	-------

Department of Emergency Services Fund:

Cash		1,854
------	--	-------

CSEPP Fund:

Cash		11,450
------	--	--------

Ambulance Fund:

Cash		39,020
------	--	--------

Housing and Urban Development Fund:

Cash	1,040	55,626
------	-------	--------

Other Resources

General Fund Type

Jail Fund:

Amounts to be Provided in Future Years for Jail Participation
Agreement (Note 4)

196,015

Total Assets and Other Resources

\$ 715,846

The accompanying notes are an integral part of the financial statements.

POWELL COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

Due to Local Government Economic Assistance Fund (Note 7)	\$	20,000	
---	----	--------	--

Jail Fund:

Due to Road and Bridge Fund (Note 7)		151,204	
Due to Local Government Economic Assistance Fund (Note 7)		25,000	
Jail Participation Agreement (Note 4)		196,015	

Payroll Revolving Account		<u>18,513</u>	\$	410,732
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Fund Balances

Unreserved:

General Fund Type

General Fund	\$	21,409	
Road and Bridge Fund		263,278	
Jail Fund		(160,541)	
Local Government Economic Assistance Fund		<u>125,342</u>	249,488

Special Revenue Fund Type

Forestry Fund	\$	2,262	
Department of Emergency Services Fund		1,854	
CSEPP Fund		11,450	
Ambulance Fund		39,020	
Housing and Urban Development Fund		<u>1,040</u>	55,626

Total Liabilities and Fund Balances			\$	<u><u>715,846</u></u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

POWELL COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,612,449	\$ 1,327,178	\$ 866,105	\$ 166,284
Other Financing Sources:				
Transfers In	502,136	91,446	20,000	340,001
Total Cash Receipts	<u>\$ 3,114,585</u>	<u>\$ 1,418,624</u>	<u>\$ 886,105</u>	<u>\$ 506,285</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,384,759	\$ 1,064,452	\$ 685,133	\$ 473,462
Other Financing Uses:				
Transfers Out	502,136	351,082	95,813	16,796
Bonds-				
Principal Paid	75,000			
Interest Paid	3,608			
Jail Participation Agreement-				
Principal Paid	7,371			7,371
Total Cash Disbursements	<u>\$ 2,972,874</u>	<u>\$ 1,415,534</u>	<u>\$ 780,946</u>	<u>\$ 497,629</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 141,711	\$ 3,090	\$ 105,159	\$ 8,656
Cash Balance - July 1, 1999 *	<u>163,403</u>	<u>38,319</u>	<u>6,915</u>	<u>7,007</u>
Cash Balance - June 30, 2000	<u><u>\$ 305,114</u></u>	<u><u>\$ 41,409</u></u>	<u><u>\$ 112,074</u></u>	<u><u>\$ 15,663</u></u>

* - Prior Year Cash Balances for the General, Jail, CSEPP, and Ambulance Funds were adjusted for prior year voided checks of \$2,930, \$532, \$327, and \$30 respectively.

The accompanying notes are an integral part of the financial statements.

POWELL COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

General Fund Type	Special Revenue Fund Type					Debt Service Fund Type
Local Government Economic Assistance Fund	Forestry Fund	Department Of Emergency Services Fund	CSEPP Fund	Ambulance Fund	Housing And Urban Development Fund	Public Properties Corporation Fund
\$ 110,080	\$ 1,118	\$ 7,768	\$ 24,945	\$ 100,011	\$ 8,960	\$
12,000		10,500	11,293	100		16,796
<u>\$ 122,080</u>	<u>\$ 1,118</u>	<u>\$ 18,268</u>	<u>\$ 36,238</u>	<u>\$ 100,111</u>	<u>\$ 8,960</u>	<u>\$ 16,796</u>
\$ 41,929	\$	\$ 20,961	\$ 37,712	\$ 61,110	\$	\$
20,000				445	18,000	
						75,000
						3,608
<u>\$ 61,929</u>	<u>\$</u>	<u>\$ 20,961</u>	<u>\$ 37,712</u>	<u>\$ 61,555</u>	<u>\$ 18,000</u>	<u>\$ 78,608</u>
\$ 60,151	\$ 1,118	\$ (2,693)	\$ (1,474)	\$ 38,556	\$ (9,040)	\$ (61,812)
20,191	1,144	4,547	12,924	464	10,080	61,812
<u>\$ 80,342</u>	<u>\$ 2,262</u>	<u>\$ 1,854</u>	<u>\$ 11,450</u>	<u>\$ 39,020</u>	<u>\$ 1,040</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Powell County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Public Properties Corporation Fund as part of the reporting entity.

The Public Properties Corporation (the Corporation) is a legally separate entity established to provide long-term debt service for the Fiscal Court. The Corporation's governing body consists entirely of Fiscal Court members. Therefore, management must include the Corporation as a component unit, and the Corporation's financial activity is blended with that of the Fiscal Court.

Additional Powell County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Powell County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Powell County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Powell County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Forestry Fund, the Department of Emergency Services Fund, the CSEPP Fund, the Ambulance Fund and the Housing and Urban Development Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Powell County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund (Debt Service Fund) because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Long-Term Participation Agreement

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. The Authority issued \$510,503 of revenue bonds at various interest rates (7% through 7.4%), of which the county has agreed to pay \$262,451 principal and a proportional share of interest on the issue. Revenue bonds outstanding as of June 30, 2000, totaled \$196,015. Debt service requirements remaining are as follows:

<u>Due Date</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
October 1, 2000	\$ 7,875	\$ 6,753
April 1, 2001		6,483
October 1, 2001	8,416	6,483
April 1, 2002		6,194
October 1, 2002	8,993	6,194
April 1, 2003		5,885
October 1, 2003	9,610	5,885
April 1, 2004		5,555
October 1, 2004	10,270	5,555
April 1, 2005		5,202
Thereafter	<u>150,851</u>	<u>57,755</u>
Totals	<u>\$ 196,015</u>	<u>\$ 117,944</u>

Note 5. Bonds

The Powell County Public Properties Corporation Fund was established in order to issue Public Project Revenue bonds for road paving. The Powell County Fiscal Court paid off these bonds on February 1, 2000.

Note 6. Jail Commissary Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

All profit expenditures were for the benefit and/or recreation of the inmates.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 7. Transfers from Restricted Funds

During the fiscal year ended June 30, 1995, the county transferred restricted Road Fund moneys to the Jail Fund. As of June 30, 2000, the amount due the Road Fund was \$151,204.

During the fiscal years ended June 30, 1994, and June 30, 1995, the county transferred restricted Local Government Economic Assistance (LGEA) Funds to the General and Jail Funds. As of June 30, 2000, the General Fund owed \$20,000 and the Jail Fund owed \$25,000 to the LGEA Fund.

The Powell County Fiscal Court plans to utilize the Road Fund allocation for applicable administrative expenditures so that more General and Jail moneys are free to repay Road and LGEA Funds. The County plans to repay \$20,000 per year from the General and Jail Funds to the Road and LGEA Funds until amounts due to the restricted funds are paid back.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

POWELL COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 988,321	\$ 1,327,178	\$ 338,857
Road and Bridge Fund	682,249	866,105	183,856
Jail Fund	432,213	166,284	(265,929)
Local Government Economic Assistance Fund	85,500	110,080	24,580
<u>Special Revenue Fund Type</u>			
Forestry Fund	1,100	1,118	18
Department of Emergency Services Fund	10,600	7,768	(2,832)
CSEPP Fund	2,000	24,945	22,945
Ambulance Fund		100,011	100,011
Housing and Urban Development Fund		8,960	8,960
Totals	<u>\$ 2,201,983</u>	<u>\$ 2,612,449</u>	<u>\$ 410,466</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,201,983
Add: Budgeted Prior Year Surplus			121,915
Less: Other Financing Uses			<u>(6,500)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 2,317,398</u>

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SCHEDULE OF OPERATING REVENUE

POWELL COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

	GOVERNMENTAL FUND TYPES		
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type
REVENUE:			
Taxes	\$ 963,689	\$ 962,571	\$ 1,118
In Lieu Tax Payments	1,929	1,929	
Excess Fees	48,803	48,803	
Licenses and Permits	11,613	11,613	
Intergovernmental Revenues	1,079,519	1,037,846	41,673
Charges for Services	162,062	162,062	
Miscellaneous Revenues	337,653	237,653	100,000
Interest Earned	7,181	7,170	11
Total Operating Revenue	<u>\$ 2,612,449</u>	<u>\$ 2,469,647</u>	<u>\$ 142,802</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

POWELL COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 486,327	\$ 539,697	\$ (53,370)
Protection to Persons and Property	468,845	524,944	(56,099)
General Health and Sanitation	149,593	142,812	6,781
Social Services	28,000	27,044	956
Recreation and Culture	1,500		1,500
Roads	494,380	548,304	(53,924)
Airports	6,000	9,160	(3,160)
Debt Service	158,246	17,675	140,571
Administration	457,849	455,340	2,509
Total Operating Budget - General Fund Type	\$ 2,250,740	\$ 2,264,976	\$ (14,236)
Other Financing Uses:			
Transfers to Public Property Corporation Fund		16,796	(16,796)
Jail Participation Agreement- Principal	6,500	7,371	(871)
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 2,257,240</u>	<u>\$ 2,289,143</u>	<u>\$ (31,903)</u>
Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 66,658	\$ 103,178	\$ (36,520)
Capital Projects		16,264	(16,264)
Administration		341	(341)
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 66,658</u>	<u>\$ 119,783</u>	<u>\$ (53,125)</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Bobby Drake, Powell County Judge/Executive
Members of the Powell County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Powell County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated May 24, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Powell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Powell County Fiscal Court Did Not Budget All Expenditures
- The Jail Fund Was In A Deficit At The End Of The Fiscal Year

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Powell County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 24, 2002

COMMENTS AND RECOMMENDATIONS

POWELL COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2000

NONCOMPLIANCE

1. The Powell County Fiscal Court Did Not Budget All Expenditures

The General, Jail, CSEPP, Department of Emergency Services, and the Ambulance Funds were overspent by \$40,755, \$41,893, \$23,115, \$4,907, and \$30,154 respectively. According to KRS 68.300, any appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. The Powell County Fiscal Court should have obtained a budget amendment for the General, Jail, CSEPP, Department of Emergency Services, and the Ambulance Funds' additional expenditures. We recommend that the fiscal court determine that budget capacity is available before approving claims to be paid and prepare budget amendments for unanticipated receipts and expenditures.

County Judge/Executive Bobby Drake's Response:

OK. This is corrected now and we will monitor this more closely.

2. The Jail Fund Was In A Deficit At The End Of The Fiscal Year

The Jail Fund was in a deficit at the end of the 2000 Fiscal Year. After adjusting the Jail Fund balance for amounts due to the Road and LGFA Funds for repayment of restricted funds transferred to the Jail Fund, as stated in Note 7 of the Notes to the Financial Statements, the Jail Fund had a deficit fund balance of \$160,541. According to KRS 68.110(1), the fiscal court shall not in any year expend money in excess of the amount annually levied and collected for that year. We recommend the fiscal court repay restricted funds and avoid having deficit fund balances.

County Judge/Executive Bobby Drake's Response:

We will follow our plan to reimburse this money.

PRIOR YEAR FINDING

The Powell County Fiscal Court Did Not Budget All Expenditures

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

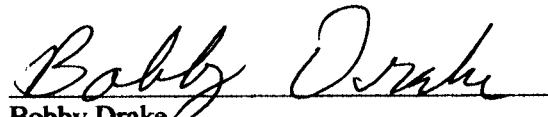
POWELL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

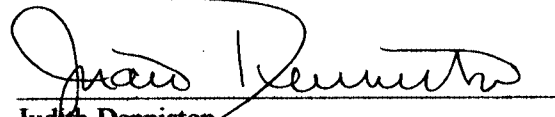
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
POWELL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Powell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, reading "Bobby Drake", written over a horizontal line.

Bobby Drake
County Judge/Executive

A handwritten signature in cursive script, reading "Judith Denniston", written over a horizontal line.

Judith Denniston
County Treasurer

